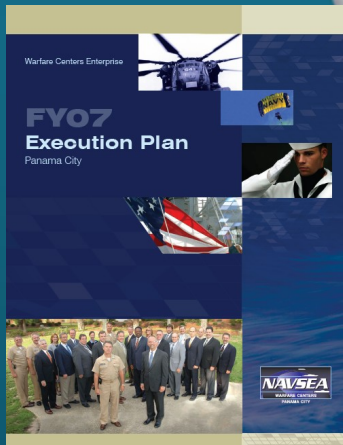


NAVSEA

WARFARE CENTERS

NSWC Panama City Contractor Summit 8 Sep 2006



Agenda

1. Strategic Context...
2. Performance & Projections
3. Two key references
 - FY07 Execution Plan
 - Things to know about NSWC PC

Panama City

CAPT Vito W. Jimenez, USN
Commanding Officer

We (Navy) are what we buy

- ◆ **Strategic trends well within our lanes**
 - **Special Operations Forces (SOF) – increase by 15%**
 - **Chemical, Bio, & Radiological (CBR) Defense**
 - **Littoral Combat Ship**
 - **Riverine Operations**
- ◆ **Major Programs of Record**
 - **LCS: build 55 by 2018**
- ◆ **New Starts**
 - **Joint Maritime Assault Craft (JMAC) – High**
 - **SDV Next or SDV SLEP – Assured...**

The Lab's heading

Captain's Column - Themes, Past Success and Future Outlook

As I prepare to relinquish command of the Naval Surface Warfare Center, Panama City, Florida, my mind races through the many past accomplishments in these last two years that have clearly set this lab as the best athlete of the Warfare Center enterprise. What does that mean? Simply stated, that whatever they threw our way, we took it on and performed great, all the while continuing our own unique improvement initiatives. We proved ourselves highly adaptable and capable of assimilating change rather than get beat down by it. We owned it. We never had to downplay our own priorities to make us better; our strategy of merging and aligning our local priorities and demands with those of the warfare center enterprise and making them complementary rather than conflicting made us winners. From my perspective it worked great. We juggled all the balls thrown at us without dropping any of our own. Many times they became one and the same.

Our successes are many but we can't rest on them. And rather than restate them, I'll shift to the future—for like mutual funds, past performance is not necessarily a guarantee of future earnings.... There will be many more challenges ahead, particularly unknown ones, and what best prepares you for the unknown is your capacity and capability to take it on. What Darwin called the most important survival trait of winning species - Adaptability!

For us, that capacity and capability to adapt is mostly based on attitude and mindset. The attitude to want to take change on for the sake of the challenge and the mindset that as winners, there is no change or challenge that you're not capable of taking on. Simple formula that works well if you posture yourself aggressively to take change on, rather than passively let it be heaped upon you, secretly wishing that it stopped and went away. Like my back pain, it won't stop or go away, you either manage it aggressively or it will manage you submissively. The future course of this lab is well set for success if you are mentally

poised to take on the challenges yet to come and prepare accordingly. A key point to keep in mind is that our future course is not set exclusively "in house," it is set by national leadership with priorities that must be assimilated and made complementary to our own local priorities in order to arrive at a nationally acceptable future course. If we stray too far or too hard from our parent organizations, we fail to properly align and risk losing value as a key component of the larger organization. In the private sector that is impermissible, so it should be in government. Our best value is to add value to the Warfare Center Enterprise. We are measured by our contributions to the Navy, NAVSEA and the WC, not by our independent contributions to select customers of our own choosing. Let that sink in; you must accept that statement so you can properly align to the behavior model that our Navy wants today - Enterprise; you are part of a bigger thing that won't be ignored. Be a willing and winning part of it. Believe in it.

The future of the lab rests within it and will be likely defined in three areas: controlled and deliberate business growth (not people growth); conformance to the enterprise business model; and excellence at what we do. Those three key strategic elements will drive the future success of the lab. Why business growth? Prevailing literature simply states if you're not growing, you're dying. The lab needs controlled, deliberate and measured business growth (managed the way the economy is managed by the central bank) to make room for losses and divestitures and adapt to the swings of the business cycle without having major resource adjustments every year. Conformance to the behavior model of the enterprise is critical; if we can't follow the rules and excel within their bounds, we don't add value to the enterprise... Excellence speaks for itself, it's what makes you be wanted and sought for by your customers. It's why people buy Lexus and Toyota. This lab is the Lexus of the WC!

**And you're coming
with us...**

1. Business Growth (not people)

- ◆ If you're not growing you're dying! But grow outward...
- ◆ Managed to accommodate the business cycle's fluctuations
- ◆ Managed to allow divestitures and unplanned program losses

2. Conformance to NAVSEA/WC guidance/governance/priorities

- ◆ Enterprise behavior
- ◆ Competency Alignment
- ◆ Customer-driven metrics
- ◆ Focus on Diversity
- ◆ Lean Six Sigma

3. Excellence in Execution

- ◆ Defined by one simple question Would you recommend us?
- ◆ Attained by multiple activities and outcomes, mostly driven by what Lexus calls: ***"The relentless pursuit of perfection"***

Strategic Shifts since last Summit?

◆ At the Macro level – **None**, our Strategy

◆ At the Micro level – Initial IPT Structure



t.

Organizational Tweak

1. All IPT Leads (in this round anyway) are dual-hatted as Customer Advocates.
2. Not all Customer Advocates are IPT Leads.
3. Not every project has to be included in an IPT, only those that have a natural relationship to each other within a core equity (like MCM).
4. IPT Leads report to the respective department, and as CA's to respective PAD.
5. IPTs exist in departments/directorates where the work can be naturally divided into more than one IPT (HA and HQ have no IPTs).
6. IPT lead positions are upward mobility billets leading to department head or deputy jobs.

What's an IPT Lead

For Reference

- ◆ A Team Leader...the leader of an integrated product team - the next evolution of our flat organization.
- ◆ An IPT Leader is responsible for the work/output. Organization, oversight and compliance with the principles, processes and tasks that yield a product.
- ◆ An IPT Leader, in his CA role, is responsible for the external customer advocacy/interface, in his IPTL role he is responsible for cost, schedule and performance.
- ◆ An IPT Leader is not responsible for people stuff, he/she is responsible for people's output!
- ◆ The Branch Head “owns” the people and their care and feeding. Development, Performance Evaluation Awards, all based on concurrent IPT Lead input...
- ◆ The work and the people piece converge at the Department Head/Deputy Department Head level.

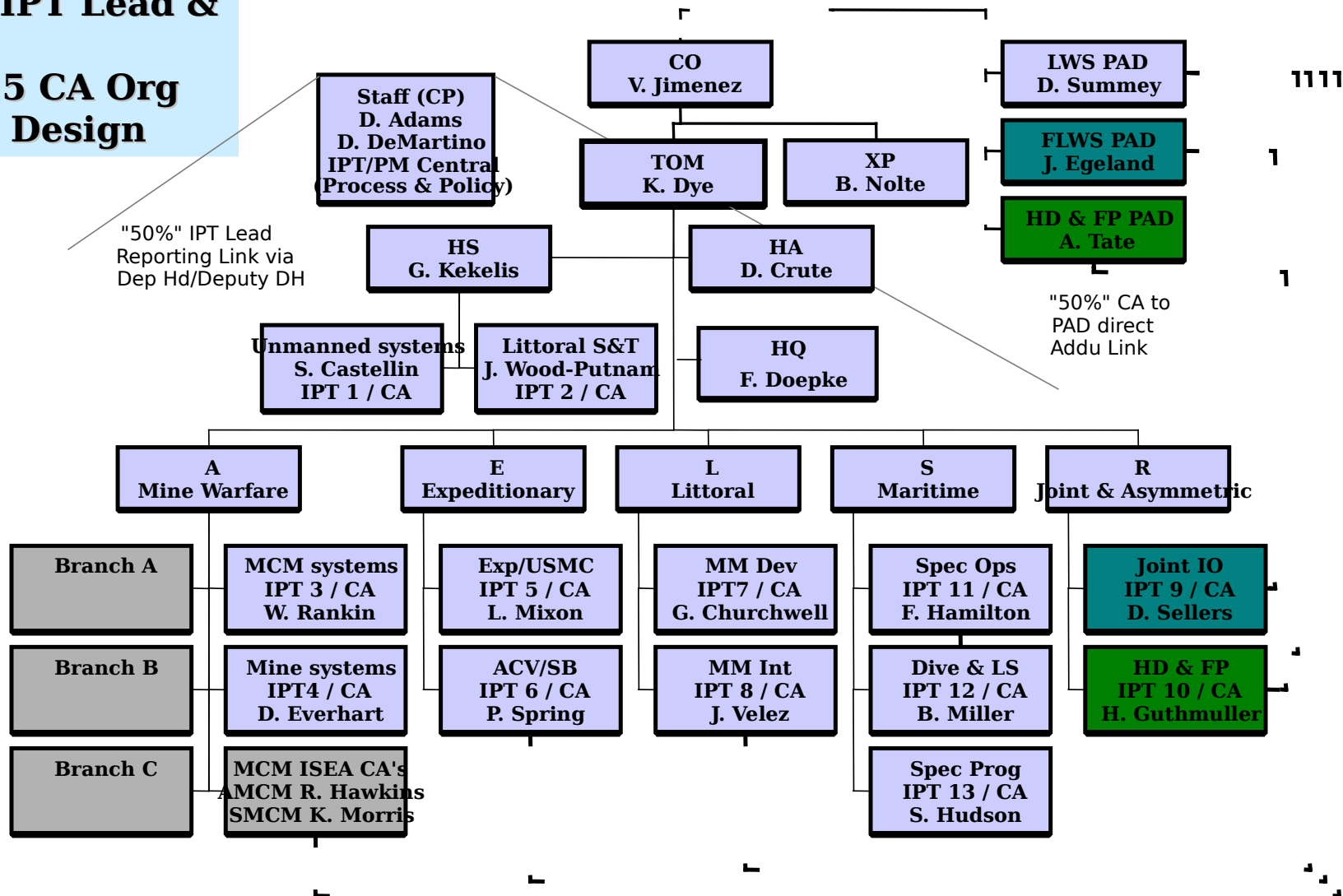
CA's in the IPT-CAO

IPT Lead/Customer Advocate "50-50" Assignment

**13 IPT Lead &
15 CA Org
Design**

"50%" IPT Lead
Reporting Link via
Dep Hd/Deputy DH

"50%" CA to
PAD direct
Addu Link



FY06 Performance Recap

◆ End-Strength Plan:

- Started FY at 1160, end year at 1132 (2.3% drop).
- FY07 redline (nominal 50% of attrition) will put us at 1125 by 1 Oct 07.
- FY08 redline may be level depending on Dahlgren's ability to hire on plan.

◆ Work Projection:

- FY06 will close at 1300.
- FY 07 and out, level at approx. 1300 work years.
- 65/35 split between in-house/contractors.

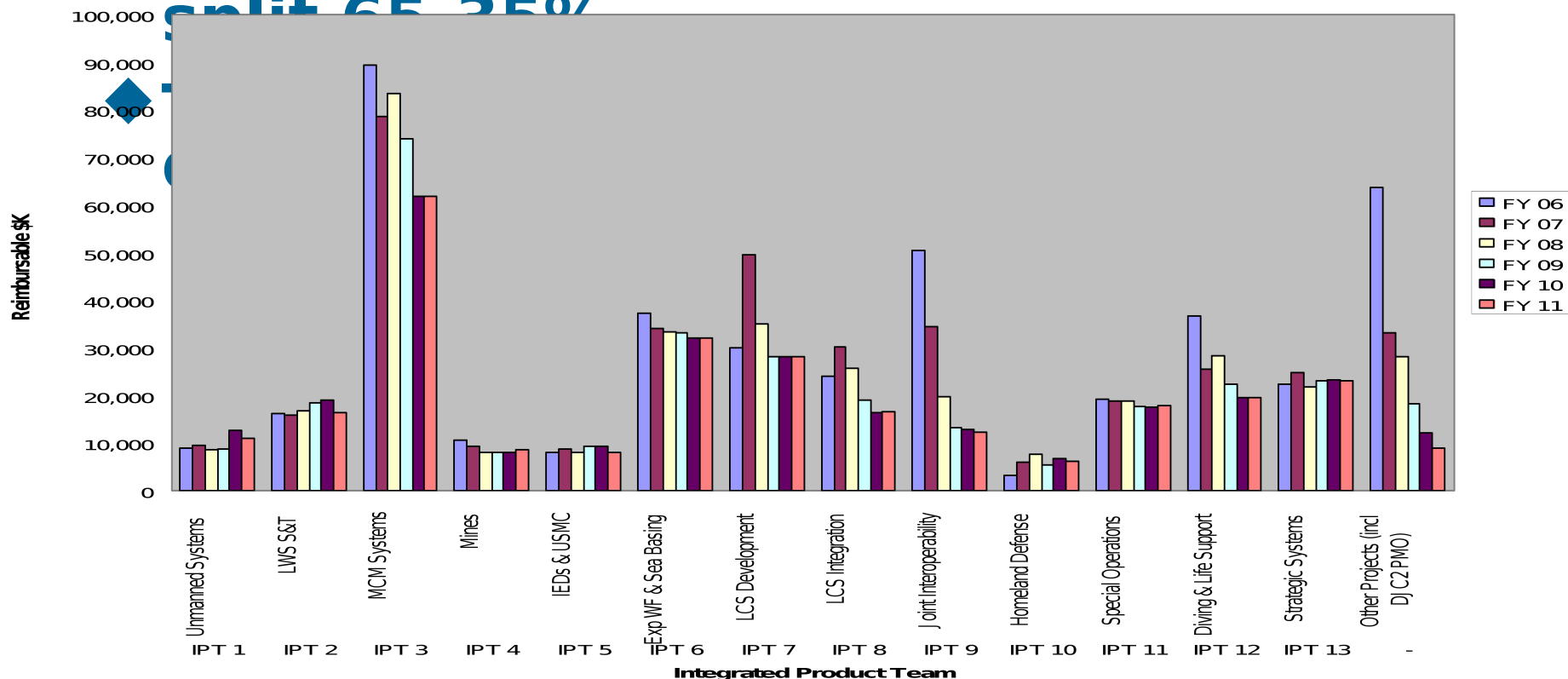
◆ Financial Projection:

- New reimbursable orders up from \$392M in FY06, to \$400+M in FY07.

IPT	Contract Work Years (U=up/L=level//D=down)		
	FY06	NT	FT
Unmanned Systems	16.4	L	D
LWS S&T	4.5	D	L
MCM Systems	95.0	D	L
Mines	2.6	L	L
IEDs & USMC	1.8	L	U
Exp WF & Sea Basing	84.2	D	L
LCS Development	60.7	U	D
LCS Integration	10.4	U	D
Joint Interop	59.5	D	D
Homeland Defense	14.4	L	L
Special Operations	32.5	L	L
Diving & Life Support	59.8	D	L
Strategic Systems	6.6	U	L
Other Projects	12.1	D	D
Total	460.5		

The Forecast for 2007

- ◆ The Macro View - trending steady as she goes... no major variations in Product Areas or total business base. Looking at approx. 1300 work years, steady in-house/contractor split 65/35%

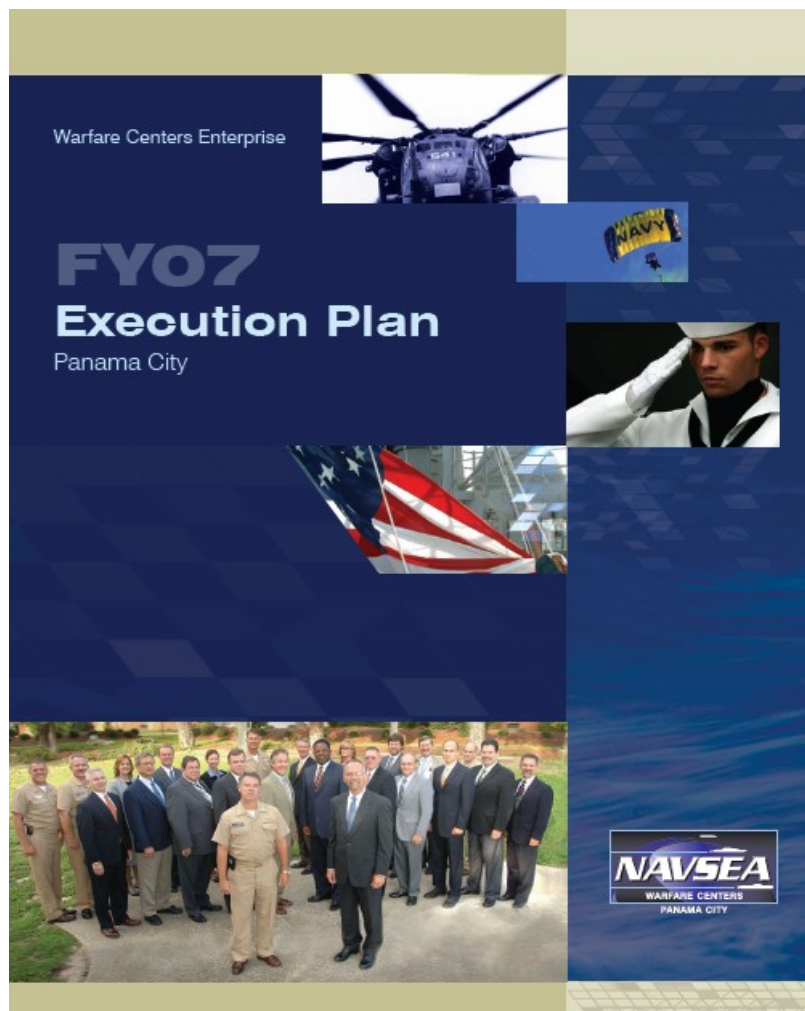


What does this mean to you?

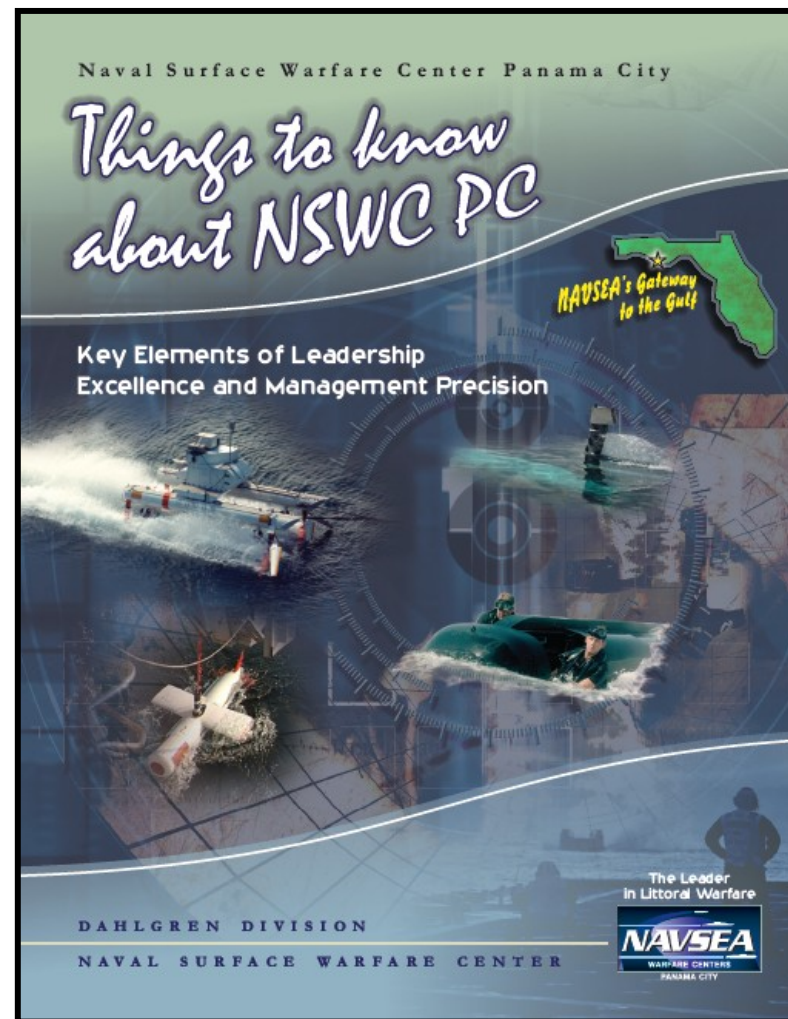
- ◆ Expect continued expansion (and maybe some contraction) to the private sector in selected work areas, mainly LCS Mission Package work.
- ◆ Expect a level business outlook for NSWC PC, with a continued gradual shift toward private sector work as in-house manning gradually declines at a much flatter slope.
- ◆ Expect to become part of selected IPTs as the IPT-CAO construct matures in NAVSEA.
- ◆ Expect to interact with the designated IPT leads as they establish themselves in their new roles.
- ◆ Expect a bright outlook for NSWC PC in the foreseeable future, as work continues to grow slowly, and you continue to become a more integral part of this evolving partnership.

References

From the best job I've ever had!



If it's important, put it in writing!



SEA POWER 21

Sea Shield

Sea Trial

Sea Warrior

Sea Enterprise

ForceNet

Sea Strike

Backup

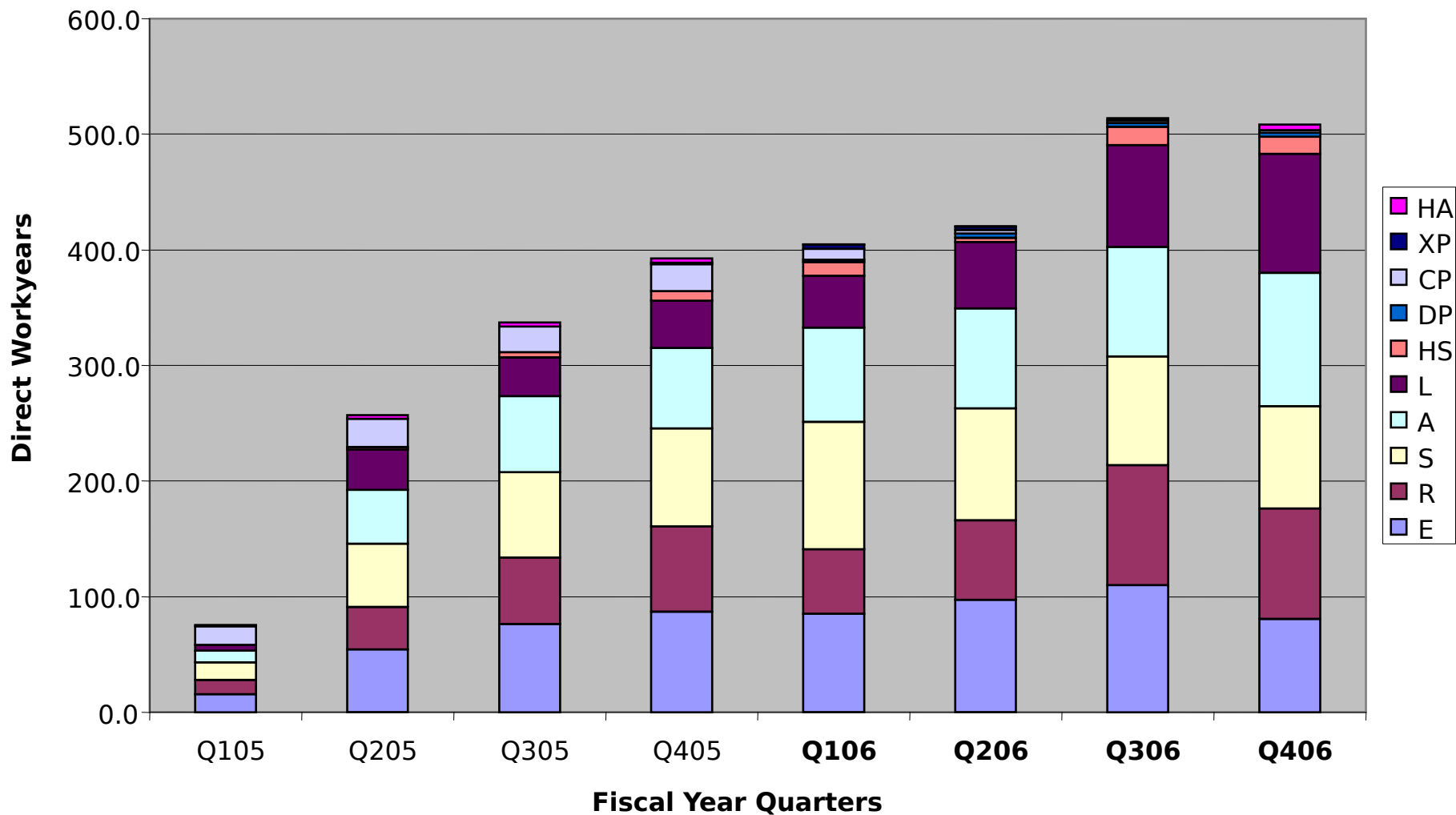
Sea Basing

Percent Contracted by Department

FY06 Projected Workyears				
Dept	In-House	Contracted	Total	Percent
A	241	90	331	27%
CP (J PO)	15	3	18	15%
DP	5	4	8	42%
E	93	104	196	53%
HA	34	1	35	3%
HS	81	10	90	11%
L	113	73	186	39%
R	100	86	186	46%
S	157	96	253	38%
XP	14	2	16	10%
Total	851	467	1318	35%

Contracted Workyears by Department

(Actual Awards thru mid-July 2006)

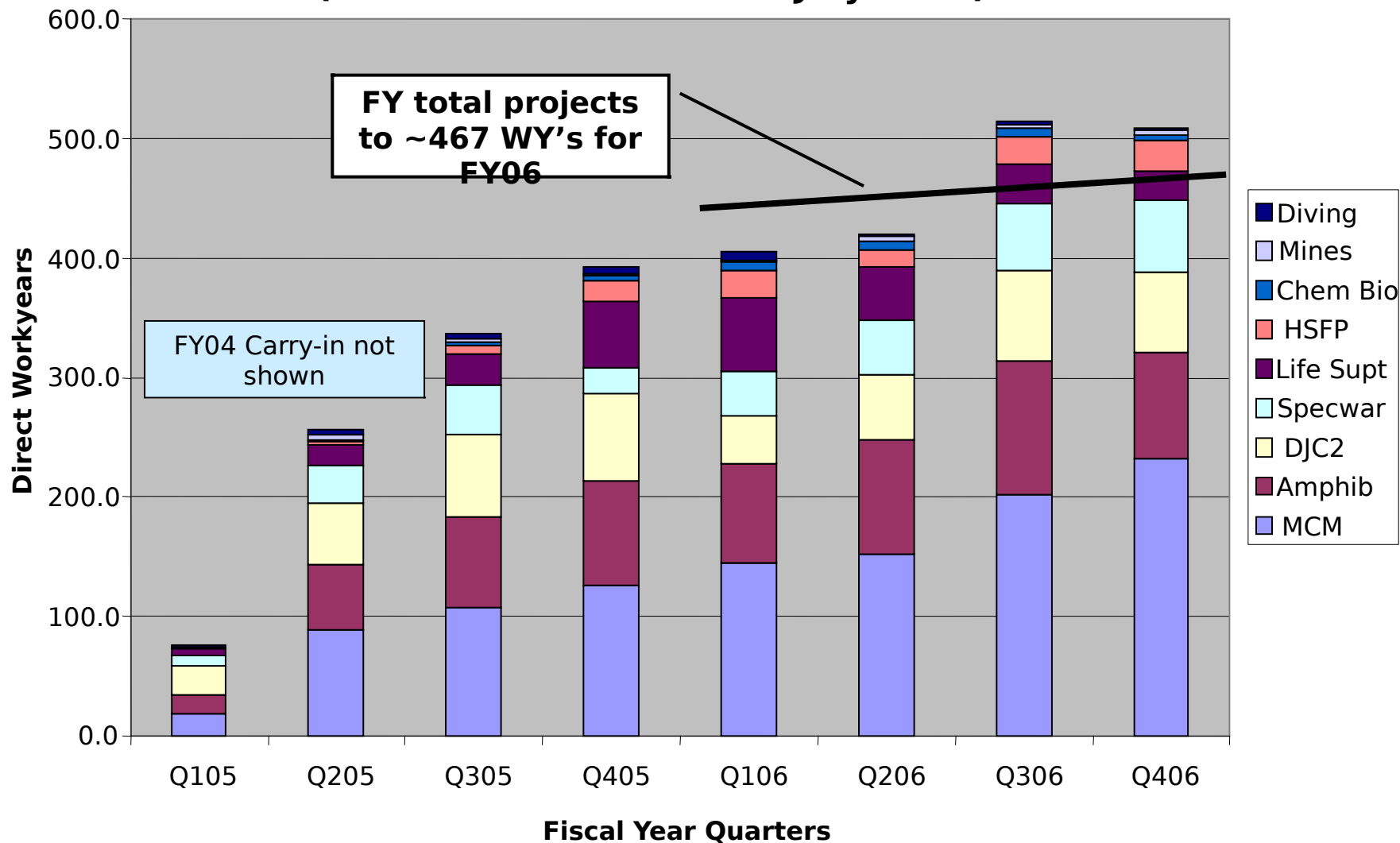


Contract Work Years Trends

		FY 06	FY 07	FY 08	FY 09	FY 10	FY 11
IPT 1	Unmanned Systems	16.4	L	D	D	U	L
IPT 2	LWS S&T	4.5	D	L	L	L	L
IPT 3	MCM Systems	95.0	D	U	D	L	U
IPT 4	Mines	2.6	L	L	L	L	L
IPT 5	IEDs & USMC	1.8	L	L	U	L	D
IPT 6	Exp WF & Sea Basing	84.2	D	L	L	L	L
IPT 7	LCS Development	60.7	U	D	D	L	L
IPT 8	LCS Integration	10.4	U	D	D	L	L
IPT 9	Joint Interoperability	59.5	D	D	D	L	L
IPT 10	Homeland Defense	14.4	L	L	L	L	L
IPT 11	Special Operations	32.5	L	L	L	L	L
IPT 12	Diving & Life Support	59.8	D	L	D	L	L
IPT 13	Strategic Systems	6.6	U	L	L	L	L
-	Other Projects	12.1	D	D	D	D	D
	Total Contracted WYs	460.5					

Contracted Workyears by Technical Capability

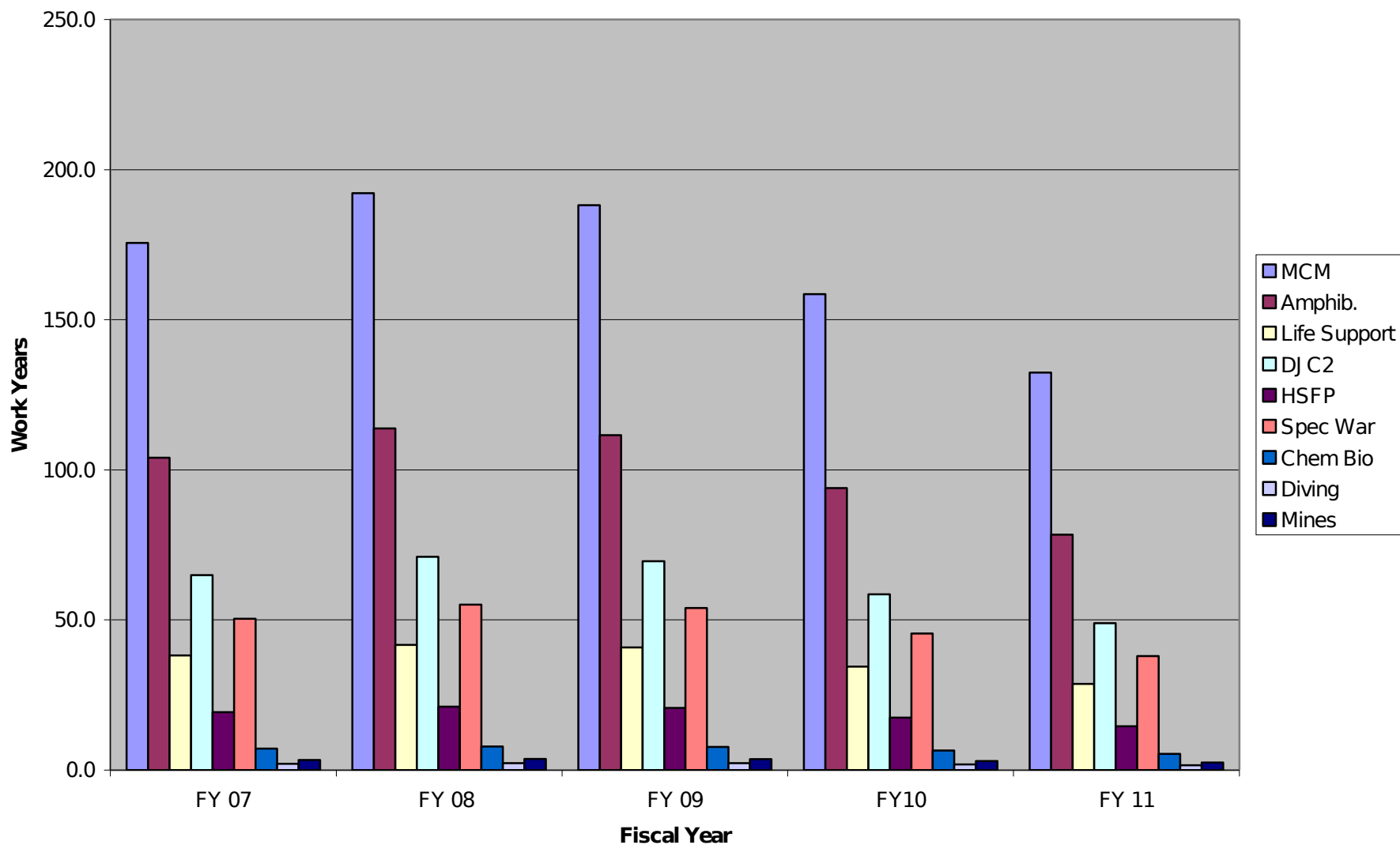
(Actual Awards thru mid-July 2006)



Percent Contracted by Technical Capability

FY06 Projected WorkYears				
Area	In-House	Contract	Total	%Contracted
MCM	447	176	623	28%
Amphib	119	105	223	47%
Life Supt	19	38	58	67%
DI C2	55	65	120	54%
HSFP	17	19	37	53%
Spec War	116	51	166	30%
Chem Bio	10	7	17	43%
Diving	25	2	27	8%
Mines	44	3	47	7%
Total	851	467	1.318	35%

Contract Labor Projection



Work Year Projections

August 2006

